

## MEMORANDUM

To: Social Security Advisory Board  
Subject: Supplemental Security Income Program Background Memo  
Date: January 8, 2015

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SSI is a federal program that was enacted on October 30, 1972 and began payments in January 1974. It provides benefits to meet the basic needs of people with disabilities who have limited income. SSI is administered by Social Security; however, it is financed by the General Fund of the Treasury. SSI eligibility requires passing both a financial and disability test, meaning an individual's income and assets determine a recipient's monthly benefit amount. Only applicants with countable resources up to \$2,000 for an individual and \$3,000 for a couple may receive SSI. Countable resources in the SSI program include cash, bank accounts, vehicles, or anything that the individual owns that could be liquidated to cash and used for food or shelter. Some exceptions to countable resources include the home an individual lives in, household goods and personal effects, life insurance policies with a combined value of \$1,500 or less, one vehicle regardless of value and grants or scholarships set aside to pay educational expenses nine months after receipt.<sup>1</sup>

SSI eligibility and benefit amount also depend on income. To determine SSI eligibility, SSA uses a formula based on the amount of earned, unearned, and deemed income received by the applicant. Earned income consists of wages and other net earnings. Unearned income is all income that is not earned such as Social Security benefits, pensions, State disability payments, and cash from friends and relatives. Deemed income is part of the income of the individual's spouse, parent(s) or sponsor with whom he or she lives.<sup>2</sup> However, some income is excluded such as the first \$20 of unearned income, the first \$65 earned from working, and half the amount earned over \$65. Any income that exceeds these amounts are excluded from the benefit amount dollar-for-dollar. In general, the more countable income an individual has, the lower the individual's benefit.

Currently, the Federal benefit rate (FBR) is \$733 for an individual and \$1,100 for a couple.<sup>3</sup> SSI payment benefit rates differ for individuals and couples since couples are presumed to share expenses, resulting in a lower cost of living. In contrast, unmarried recipients living in the same household receive benefits equal to that of individuals despite the ability to share expenses. Benefit levels differ for individuals and couples living in the same household. Beneficiaries who

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<sup>1</sup> Social Security Administration. *Understanding Supplemental Security Income SSI Resources*. 2014. Available at: <http://www.ssa.gov/ssi/text-resources-ussi.htm>

<sup>2</sup> Social Security Administration. *Understanding Supplemental Security Income SSI Income*. 2014. Available at: <http://www.ssa.gov/ssi/text-income-ussi.htm>

<sup>3</sup> Social Security Administration. *SSI Federal Payment Amounts for 2015*. Available at: <http://www.ssa.gov/oact/cola/SSI.html>

live in another person's household and receive in-kind support and maintenance, which is food or shelter that somebody provides for an individual, qualify for one-third less than the FBR.

The SSI program is extremely complicated, administratively burdensome and in need of simplification. The complexities of the SSI program stem from the extensive set of rules that address income, resources, living arrangements and a disability requirement for beneficiaries under the age of 65. The program's greatest complexity is the calculation of SSI payments.<sup>4</sup> The value of countable resources also affects an individual's eligibility for the program. The resource limit of \$2000 for an individual and \$3000 for couple have not changed since 1989. These rules require benefit payments to be adjusted to account for resource factors.

Also, SSI recipients are required to report any changes to their living arrangement and income that may occur. However, this process of reporting and adjusting of benefits can result in an underpayment or overpayment. Resources and in-kind support and maintenance are the major sources of overpayments and underpayments.

SSI also has a redeterminations process in which it re-examines a recipient's income, resources and disability to ensure eligibility.<sup>5</sup> Process of evaluating eligibility and payment levels on an on-going basis contributes to the complexity of the SSI program.

Over the years, several reform ideas have been proposed to improve the SSI program. These ideas include raising benefit levels to equal 100 percent of the poverty level which would increase the FBR for individuals from \$721 to \$973 and from \$1082 to \$1311 for couples. Another reform proposal includes updating the asset limits of \$2000 for individuals and \$3000 for couples, which could prevent many from being qualified. These asset thresholds were last updated in 1989. If these values had been indexed to inflation, these values could have possibly doubled. Much like the asset limit, the income exclusion could also be adjusted for inflation. The amount of income that is excluded when calculating SSI benefits, \$20 general income exclusion and the \$65 earned income exclusion, have not changed since the program launched in 1972.<sup>6</sup>

SSI's policy on in-kind support and maintenance requires that technicians ask detailed questions about household composition, expenses and contributions. These policies aim to target benefits to recipients with no in-kind support. Some believe that current SSI policies on In-Kind Support and Maintenance (ISM) are complex and invasive. There are two ways ISM is counted. One is the Value of the One-Third Reduction Rule (VTR) in which a recipient's income is reduced by one-third if the recipient lives in another person's household and receives food and shelter. The other is Presumed Maximum Value Rule (PMV) which applies to an individual who lives in another person's household but doesn't receive food and shelter from that household. The PMV caps the amount of ISM that SSA counts because it presumes the maximum value of food or shelter received. Although a small percentage of recipients receive ISM, SSA must determine the

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<sup>4</sup> Social Security. *Social Security Testimony Before Congress*. July 25, 2012. Available at: [http://www.socialsecurity.gov/legislation/testimony\\_072512.html](http://www.socialsecurity.gov/legislation/testimony_072512.html)

<sup>5</sup> *Ibid*

<sup>6</sup> Center on Budget and Policy Priorities. *Introduction to the Supplemental Security Income (SSI) Program*. February 27, 2014. <http://www.cbpp.org/cms/?fa=view&id=3367>

living arrangements of all recipients. ISM and living arrangements are often the cause for payment inaccuracies. Although the goal is to provide equitable treatment among recipients by reducing benefits of individuals who receive support, equitable treatment is not always the result. These policies also create a disincentive for families and friends to provide food and shelter to SSI recipients.<sup>7</sup>

One of the reform proposals to simplify SSI includes eliminating ISM so that living arrangement determinations would only require verification of whether or not the recipient lives with another adult. From past estimates, this would save \$70 million annually.<sup>8</sup> It would also improve program accuracy because SSA would no longer have to track changes in household contributions and expenses. In addition, it would incentivize in-kind support of any amounts because they would no longer be tracked down by administrators.<sup>9</sup>

SSI is a place of last resort for disabled, old-age, and blind people in need to meet the basic aspects in life. This program has rules detailing the necessary qualifications to be eligible for benefits. However, the rules that are provided have caused complexities in the program. Over the years, bills that include SSI simplification such as Supplemental Security Income Restoration Act have been proposed. However, none of these bills have been passed. Therefore, it is important to take the necessary steps to simplify this program to ensure that it serves its purpose.

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<sup>7</sup> Balkus R., Sears J., Wilschke S. & Wixon B. Social Security Administration's Office of Retirement and Disability Policy. *Simplifying the Supplemental Security Income Program: Options for Eliminating the Counting of In-Kind Support and Maintenance*. 2008. <http://www.ssa.gov/policy/docs/ssb/v68n4/v68n4p15.html>

<sup>8</sup> *Ibid*

<sup>9</sup> *Ibid*